DEPARTMENT OF THE NAVY

IMPLEMENTATION OF ACQUISITION REFORM

19 MARCH 1997

19 March 1997

MEMORANDUM FOR ALL HANDS
THE DON ACQUISITION COMMUNITY

Subj: AR DAY 2

The Navy-Marine Corps team is out in front. We are transforming ourselves and the products we provide to meet the challenges of an affordable Navy and Marine Corps of the future.

In the DON survey last May, over 85% of the acquisition workforce respondees agreed there has been improvement in the acquisition process. That survey identified over 13,000 barriers to acquisition reform and recommendations for change. We've listened to your good ideas and as a direct result are implementing changes throughout the acquisition system. You're going to hear more about these changes during the course of AR Day 2.

We've recognized the need for more and better education and training and sharing information throughout our system. Acquisition Reform Acceleration Day began that process. AR Day 2 continues it. Education and training products being disseminated through the Systems Command structure include CDs on Writing Performance Based RFPs and RFP Benchmarking; videos on Integrated Product and Process Development and Open Systems Architecture; IPT games and a myriad of case studies prepared by the Office of the Secretary of Defense.

Last May we demonstrated commitment from the top and facilitated "idea upward mobility" throughout our community. This March we're trying to create cross-systems connective tissue: across our program teams and Integrated Product Teams, across our functional competencies, and across our larger government-industry acquisition team. Our intent is to encourage a continuing exchange of innovative, creative approaches and lessons learned.

Together, in our natural work teams, we need to apply Acquisition Reform to our work, today and continuing every day of our acquisition lives. We can't let up. As partners, it's all ahead full towards a new, improved acquisition system. We can make a difference.

Dan Porter
DoN Acquisition Reform Executive
Acquisition Reform Office

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DoN Acquisition Reform Vision

ACQUISITION REFORM IS A PROGRAM TO ACHIEVE DoD's MILITARY SUPERIORITY OBJECTIVE AT REDUCED PRICE WITH INCREASED RESPONSIVENESS TO CUSTOMERS.

Key elements of the strategy are to integrate the military and commercial industrial base, increase innovation, foster managed risk, encourage empowerment and establish cross-functional teams using world-class commercial practices. We will recommend revisions to law and policies and change the culture of the current acquisition environment to give program managers the freedom to succeed.

The Navy AR Strategy

- Communicate top-level Navy commitment to rapid implementation of AR
- Focus and facilitate reform efforts through a change agent thrusts
- Develop an opportunity-driven agenda coupled to strategic management thrusts
- Build a continuous dialogue with industry to identify mutually beneficial opportunities and practices
- Facilitate rapid implementation by removing barriers and impediments
- Identify and deploy key process and product innovations
- Widely communicate expectations, successes and lessons learned
- Institutionalize change management within the Navy acquisition culture

DEPARTMENT OF THE NAVY ACQUISITION REFORM ACCELERATION DAY, 31 MAY 1996 CATALYST

Background: On 11 April 1996 Dr. Paul Kaminski, USD(A&T), and Emmett Paige, Jr., ASD(CCC&I) called for a DoD-wide stand-down to maximize the benefits of acquisition reform initiatives and accelerate implementation. On the morning of 12 April, the DoN Acquisition Reform Training Working Group met to brainstorm how the Navy-Marine Corps team would successfully accomplish this directive. Their innovative approach was to accomplish this day using the tenets of acquisition reform, to include working through teams and pushing accountability and responsibility for the day's success to the lowest practicable level. On 19 April John W. Douglass, ASN(RDA) confirmed that approach to the acquisition community.

On 31 May over 41,000 members of the DoN acquisition workforce focussed their attention on Acquisition Reform. ASN(RDA) conveyed his commitment through a pre-taped video production and five large commitment sessions he personally hosted. These "Change Through Ex-Change" sessions were sent to remote sites via satellite downlink, and videos were distributed following the event. Fifteen commitment teams comprised of ASN(RDA) senior management and Acquisition Reform Office personnel carried the ASN(RDA) commitment to headquarters and field organizations, and presented over 1300 awards to the acquisition workforce. As a precursor to the stand-down, our requirements, financial and acquisition communities met to promote teamwork across the broader Navy-Marine Corps team.

Survey: The Acquisition Reform Training Working Group designed a survey to provide data on three critical questions and offer each member of the DoN acquisition workforce the opportunity to identify one barrier and provide one recommendation for improvement. This was developed in response to specific strategies called out in the ASN(RDA) Strategic Plan. Specifically,

- Communicate openly and frequently in order to achieve a better understanding of what we do and how we are doing it.
- Take actions to better understand the needs of our customers and stakeholders.

Well over 8,000 respondees provided over 13,000 ideas and thoughts. A quick overview of the data follows:

Q1: In the last two years, how much improvement have you seen in the acquisition process? Using a forced five-point Likert Preference Scale, 89.6% of Headquarters (within the beltway) and 82.4% of Field respondees agreed there has been improvement of the acquisition process.

ACCELERATION DAY
31 MAY 1996

Q2: From your personal experience, how much are teams improving the acquisition process? Using the same scale, 89.5% of Headquarters and 80.8% of Field respondees agreed that teams are improving the acquisition process.

Q3: Do you feel you have management support and encouragement to take prudent risks to improve acquisition

performance? This question of dichotomous (either yes or no). Of the Headquarters organization, 82.6% agreed. Of the Field organization, 58.7% agreed.

Q4: What do you see as the major barrier in improving the acquisition process? There were 6,773 barriers identified. The top barrier identified (16.5% of responses) is resistance to change, followed by Policy, Legislation, regulations (13.6%) and Education and Training (8.3%). Other barriers identified include: Funding Issues (5.7%), Management (5.6%), Contracting Process (5.5%), Acquisition Processes (5.0%), Manpower Issues (5.0%), Government/Congress (4.6%), Amount of Red Tape (3.9%), Teams (3.2%), Communications (3.2%), Time (3.0%), Organizational Politics (2.9%) and Empowerment (2.9%).

Q5: Name one new idea that would improve the DoN acquisition process in your area of work? There were 5,450 recommendations for change. The top area (11.1%) for recommendations for change is Education and Training, followed by Contracting Process (10.3%) and Credit Card Purchases (7.1%). Other recommendations are in the areas of Acquisition Processes (6.5%), Information Technology (6.3%), Manpower Issues (6.0%), Empowerment (5.9%), Funding Issues (5.4%), Teams (5.0%), Policy, Legislation, Regulations (4.8%), Government (3.5%), and Communications (3.4%).

Systems commands, and functional and ad hoc teams throughout the DoN acquisition system, have spent numerous man years analyzing this data. Both large and small changes are being made throughout the acquisition system based on recommendations received from the acquisition workforce. During AR Day 2, scheduled for 19 March 1997, a myriad of education and training products such as Writing Performance Based RFPs and TURBO STREAMLINER are being pushed out through the SYSCOM structure using various media including CDs, videos and disk. Information links for special events are being created via World Wide Web, Internet, satellite downlink and video teleconferencing.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ACQUISITION REFORM OFFICE
CATALYST

Background: In January 1995, the Navy stood up an Acquisition Reform Office. Chartered to operate as a program with a three- to five-year life cycle, the office leads critical thrusts in the areas of world-class learning practices, partnering, industrial base integration, acquisition policy, communications, and training and education. Each thrust defines the focus of a dominant activity addressing the overall objectives and is aligned with the product/service set. These thrusts serve to: "Order the universe" of all possible activities and prioritized efforts to achieve near-term demonstrable improvement to the Navy acquisition process. Although comprehensive in scope and considerable in depth, each thrust area is a critical pillar to achieving meaningful change and to sustaining that change.

Description of Interaction: The DON Acquisition Reform Office serves as the core change agent for acquisition reform in the Navy, structurally and philosophically pushing and pulling a web of reform agents through the Navy infrastructure. The office is designed to emulate the tenets of acquisition reform in its operation, serving as a real-life test bed for integrated product and process development and staffed by diverse individuals drawn from across the Navy acquisition field: program management and contract personnel; military and civilian; industry, government, and academia. Acquisition Reform Office (ARO) team members serve as catalysts and facilitators, instantiating acquisition reform initiatives, then moving to a support role, and eventually moving to the periphery as consultants and advisors. The team is a fluid example of a working government/industry/academia partnership to help change the way the Navy does business.

Information on Initiatives: Available through the World Wide Web:

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ACQUISITION REFORM OFFICE

DEPARTMENT OF THE NAVY ACQUISITION REFORM PERFORMANCE ASSESSMENT AND RESULTS CATALYST

Background: Leaders need a balanced set of measures to make data-based decisions, allocate resources, streamline acquisition processes, and improve performance. These measures should consist of leading and lagging indicators, short-term and long-term goals, objective and subjective data, as well as current and future key drivers. Until now, however, assessment tools have been relatively narrow in focus, have not allowed users to make the important connections between one kind of data gathered and another (such as data on customer satisfaction and data on organizational self-assessment), and have lacked those important characteristics described above. With the recent development by the Total Quality Leadership Office of a Windows-based software package called Performance Assessment and Results (PAR4), organizations within the Department of the Navy will now be able to measure performance in a far more comprehensive and sophisticated way.

Description: The software and its four basic modules were designed within the framework of an "extended system" -one that includes the supplier, the organization, and the customer, or end-user. Assessment results are ultimately analyzed and presented within this context. The model below illustrates the extended system and how the software helps the user address cause-and-effect relationships.

Module 1-Measures of Customer Satisfaction (MCS)-is survey "engine" that helps a command assess if it is meeting customer needs. Using this module, customers can tell an organization how it is doing, whether it is heading in the right direction, and where there might be opportunities for improvement. This module can also help commands determine what customers consider important and thus help them prioritize improvement efforts.

Module 2-Organizational Self-Assessment (OSA)-is another survey "engine" useful for determining what organizational members think about performance, its leadership, and other requirements necessary to deliver what the customer wants. OSA provides two survey evaluation packages, one based on the 1997 President's Award criteria and the other based on a self-assessment instrument developed by the Department of Defense."

Module 3-Performance Measures (PM)-allows an organization to assess critical aspects of its performance in terms of its mission and vision over time. These critical aspects can be tied to an organization's strategic plan or the requirements of a law such as the Federal Acquisition Streamlining Act or the Government Performance and Results Act, whatever spells out the requirements. These performance measures are operationally defined by the user and provide a performance "trial" that points to future improvement initiatives.

PERFORMANCE MEASURES

Module 4-Summary of Results (SR)-allows the user to integrate the results obtained in any or all of the other three modules. In this module users can obtain a comprehensive view of organizational performance and examine whether the

results are consistent, extremely valuable information in identifying improvement opportunities.

Other features: metric development support, collection and analysis of data, graphic display of information, historical records, decision support, self-assessment, and multi-level use. To access the software: **http://www.tql-navy.org**

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DEPARTMENT OF THE NAVY ACQUISITION REFORM COMMAND STANDARDS IMPROVEMENT EXECUTIVES CATALYST

Background: The process for implementing specifications and standards Reform within DoN starts with the active participation of senior management. The leadership of the acquisition commands plays a major role in establishing the environment necessary for acquisition Reform cultural change. Similarly, the exercise of good judgement by our leadership is critical for the successful implementation of this Reform.

Application of Initiative: The first priority for the Assistant Secretary of the Navy for Research, Development, and Acquisition in the implementation of specifications and standards Reform was to assign responsibility for the execution to senior managers representing the different acquisition commands. These Command Standards Improvement Executives (CSIEs) prepared and directed the Plan of Action and Milestones for specifications and standards improvement within the Systems Commands, the Program Executive Offices, and the Direct Reporting Program Manager offices. The CSIEs established additional specifications and standards improvement program policy and guidance unique to DoN and were responsible for the development of the training program to equip the DoN acquisition workforce with the tools to operate in a performance-based environment. Since the inception of the specifications and standards Reform implementation, the CSIEs have been proactive in identifying deficiencies and in initiating actions to provide improvements to the DoN program. Examples include: chairing of a joint government/industry working group to develop recommendations for transition to the use of non-government standards, participation on the Joint Aeronautical Commanders Group Integrated Product Team for the development of a comprehensive plan for moving to performance-based acquisition, chairing of a working group to develop a strategy and criteria for increasing the implementation of specifications and standards Reform to reprocurement, and chairing a working group to establish a prototype pre-RFP process that would increase industry's involvement in defining requirements.

The process resulting in the successful implementation of specifications and standards improvement within DoN required the CSIEs effective communication to and motivation of the standardization community. These professional individuals working in the different systems commands were responsible for the implementation of the exhaustive reviews of the over 8,000 military specifications and standards owned by DoN. Upon completion of the reviews, the CSIEs were responsible for approving the recommended document dispositions made by the standardization community.

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DEPARTMENT OF THE NAVY IMPLEMENTATION OF SPS THE DOD STANDARD PROCUREMENT SYSTEM

Introduction: SPS is a standardized automated procurement system for use by the DOD procurement community. It is the next generation of procurement application software, designed to link acquisition reform and common DOD procurement business processes with commercial best practices and advances in electronic commerce.

The DOD Standard Procurement System (SPS) is a project which has been in process for some time. SPS has been identified by the Director of Defense Procurement and the DOD Procurement Corporate Information Management Council as the target system which will bring a common operating environment to DOD's procurement community.

The SPS source selection process has nearly reached its conclusion. By March, the SPS Prime Contractor will be selected, with system installations scheduled to begin in early May. The majority of installations in the first year of SPS implementation will be at Navy sites.

The Standard Procurement System is going to carry the Navy procurement community into the next century, and will be a prerequisite for maintaining contracting authority. All members of the Navy acquisition community are encouraged to visit the Navy SPS web site and to review the plan for implementing SPS.

The address of this site is "http://www.abm.rda.hq.navy.mil/sps" and
can be accessed by anyone seeking information regarding the Navy SPS project. This site contains general SPS planning guidance and, by the end of this month, will have a template implementation plan for each Navy site which will receive SPS in calendar year 1997.

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STANDARD PROCUREMENT SYSTEM

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
DON COMMUNICATIONS CATALYST

Description: The *DoN Acquisition Reform Update* newsletter is published and disseminated bi-monthly via hard copy, Internet, and over the Acquisition Reform Home Page. The newsletter documents acquisition reform within the Department of the Navy and is coordinated through the Acquisition Reform Office. Articles are contributed from both personnel within the Department and external partners. Content includes lessons learned, stories about cost savings reductions, and innovative approaches to Acquisition Reform in addition to current information about on-going initiatives.

The *Acquisition Reform Home Page* (**httv://www.acq-ref.navy.mil**) provides the latest information on Navy Acquisition Reform initiatives, disseminates the AR Update newsletter, and shares success stories and lessons learned. It also supports just-in-time training and review by offering downloadable AR course materials to both government and industry. Content is updated regularly and current priority items are announced through flashers on the opening screen. The Home Page is linked to pertinent pages throughout the WWW system.

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DON COMMUNICATIONS

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
NARSOC CATALYST

Background: The Navy Acquisition Reform Senior Oversight Council (NARSOC) was established in June 1994 as a senior management-level forum for dissemination of information, lessons learned, and process review of acquisition reform initiatives. The forum provides a place to frame issues and gain consensus on decisions which affect the course of planning and implementation within the Department of the Navy.

Description: NARSOC meets bi-weekly and is chaired by ASN(RDA), coordinated through the Acquisition Reform Office, and guided by an Executive Council which includes SYSCOM representation. It has a regular attendance of 75 senior leaders, an inclusive group of customers/users, policy setters, advisors, and implementors. NARSOC membership includes the Comptroller staff, key CNO staff, ASN(RDA) staff, PEOs, SYSCOMs, and DRPMs. Integrated working groups are used to explore acquisition reform issues in depth, and skilled practitioners from government business and academia are brought in to discuss first hand their experiences. A Program Managers NARSOC is held quarterly to directly address current acquisition reform issues and changes at the Program level.

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NARSOC

DEPARTMENT OF THE NAVY ACQUISITION REFORM PARTNERING CATALYST

Background: In February 1991, NAVFAC initially provided formal partnering guidance to their field activities. Citing the successes with partnering that the U.S. Army Corps of Engineers and one of NAVFAC's activities had been having, NAVFAC authorized and encouraged all its field activities to apply partnering techniques to appropriate projects. Because NAVFAC activities experienced successes in applying formal and informal Partnering techniques to construction contract projects, NAVFAC initiated Partnering in its other types of contracts such as Environmental Remediation and Base Operating Services Contracts.

The Associated General Contractors of America (AGC) ("Partnering, A Concept for Success" 1991) defined partnering as:

> ...a process to establish working relationships among the parties (stakeholders) through a mutually-developed, formal strategy of commitment and communication. Partnering attempts to create an environment where trust and teamwork prevent disputes, foster a cooperative bond to everyone's benefit, and facilitate the completion of a successful project.

Description: Partnering establishes mutual contractor-government goals that both parties formally endorse and work to accomplish. Through commitment, trust, communication, and shared objectives, partnering creates an attitude of teamwork and an atmosphere for effective problem solving. This results in a win-win situation for all members of the partnership. For formal partnering, a three- to five-day workshop is scheduled shortly after award where this arrangement is developed and set in motion by partnering facilitators, either under contract or in-house. The costs for these workshops should be shared between the primary players; costs incurred by the secondary partners should be minimized to ensure maximum partnering participation. A plan is developed at this workshop that promotes the continuance of this concept and achievement of the mutually established goals by the end of the contract performance period. This plan is referred to as a Partnering Agreement and is signed by all participants. Some of the goals include:

- Early formation of working relationships and recognition of concerns of parties involved;
- Timely problem identification and resolution;
- Timely submittal processing;
- Minimization of project cost and time growth;
- Increased communication and involvement from active parties in a contract focused on achieving common objectives and benefits.

A basic principle of partnering is that participation is voluntary. Willing partners provide maximum success. Partnering not only helps us serve our customers better, faster, and with less cost, but also makes our people's jobs more enjoyable by reducing conflict with our

PARTNERING

contractors.

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OTHERING PARTNERING INITIATIVES

The Navy conducted its first annual *Chief Executive Officer (CEO) Conference*, a meeting among CEOs of industry and senior acquisition management team members, on November 27 - 28, 1995, in Norfolk, Virginia. The 100 companies with the highest contract dollar values supporting DoN were invited. The sessions provided the opportunity for open dialogue between the Department of Navy and its supporting industrial base, offering corporate leaders a forum to engage in frank, informal discussions of important issues that are crucial to the effectiveness of the weapon systems acquisition process and acquisition reform. Action items resulting from the Conference are being addressed by joint government/industry working teams. The second CEO Conference is scheduled for September 17 - 18, 1996. .

Navy *RoadShows* for Industry have been held in Washington, DC; San Diego; Jacksonville; Pittsburgh; Honolulu; Boston; and Seattle. Two additional *RoadShows* are scheduled for FY 97. *RoadShows* provide businesses and government persinnel with the opportunity to find out what acquisition changes are in store and to provide feedback to those implementing the changes. *RoadShow* goals include:

- Understanding the Navy's acquisition Reform goals and why acquisition processes are changing
- Facilitating communication between the Navy and its business partners to promote productive business relationships
- Demonstrating the Navy's commitment to acquisition Reform
- Providing tutorials to become familiar with new initiatives, including performance-based statements of work, specifications, and standards

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DEPARTMENT OF THE NAVY ACQUISITION REFORM STRATEGIC PLAN CATALYST

Background. The ASN(RDA) Strategic Plan for 1996-1997 has strategic goals in the areas of Workforce, Customer/Stakeholder Credibility, Organizational Management, Business Practices, Total Ownership Cost, Innovation/Technology Insertion, and Communication. It encompasses actions specified in the Acquisition Reform Management Action Plan. ASN(RDA) Strategic Plan working groups are addressing each strategic goal.

Mission. The Naval Research, Development and Acquisition TEAM, in partnership with Industry, serves the Nation by developing, acquiring, and supporting technologically superior and affordable systems for Navy, Marine Corps, Joint and Allied Forces. Our products allow the operating forces, in support of the Unified Commanders, to train, to deter conflict and, if required, to fight and win.

Vision. The Naval Research, Development and Acquisition TEAM is the world's best acquisition and life-cycle support organization. We are dedicated to innovation and excellence through teamwork and trust--developing, acquiring, and supporting systems for the finest Navy and Marine Corps in the world. We are the technical leaders who deliver solutions and technical opportunities to define cost-effective warfighting options for the future. We are flexible and adaptive, committed to and actively engaged in transforming ourselves and the products we provide to meet the challenges of an affordable Navy and Marine Corps of the future. We have the confidence of the American people by being responsible and credible stewards of resources and protectors of the environment.

Guiding Principles.

- Preserve the public trust through personal integrity, ethical performance, and cost consciousness.
- Dedicate ourselves to technical and acquisition excellence and innovation.
- Listen to and be accountable to our customers. Meet their needs, keep our promises, and stand by the quality of our goods and services.
- Team with warfighters, other customers, industry, and each other on a basis of trust.
- Empower people to take initiative, with authority and responsibility assigned to the lowest appropriate level.
- Value and respect each other, pursue personal development, and recognize accomplishments.
- Value the strength diversity brings to our workforce and ensure an equal opportunity environment.
- Communicate openly, clearly, promptly, and honestly.
- Operate with modern tools and state-of-the-art information technology systems. We continuously improve processes.

STRATEGIC PLAN

Point of Contact:
Every member of the Navy-Marine Corps Acquisition Workforce

Copies were widely distributed during the 31 May 1996 stand-down. Additional copies are available through the Acquisition Reform Office.

DEPARTMENT OF THE NAVY ACQUISITION REFORM TRAINING AND EDUCATION CATALYST

Background: In his Mandate for Change, the Secretary of Defense prescribed the need for cultural change to bring about Acquisition Reform. Recognizing that training is essential to meet this mandate, the Department of Navy (DoN) is committed to providing the right training at the right time for the acquisition workforce. The DoN Acquisition Reform Training Plan (Plan) describes a push/pull strategy to (1) both collect and disseminate information throughout the Navy acquisition workforce, (2) provide the skills and knowledge to acquisition workforce members which allow them to implement Acquisition Reform, and (3) promulgate best practices from government and industry. As part of the larger department of Defense Acquisition Reform team, DoN:

- takes full advantage of successful training packages already in existence
- utilizes both Army, Air Force, and other service expertise to build an experienced core training team
- integrates Office of the Secretary of Defense (OSD) offerings into the Navy Training Plan

Key principles of the DoN approach are: (1) remaining flexible and responsive to changes and requirements throughout DoD and DoN, (2) taking advantage of multiple media delivery systems, (3) seeking continuous feedback and improvement, and (4) integrating the entire customer base, both government and industry, into the DoN Acquisition Reform training and education program.

The Acquisition Reform Training Working Group (ARTWG), chaired by the Acquisition Reform Office and whose members include representatives from each SYSCOM, coordinates initial development and dissemination of Acquisition Reform training and information throughout the acquisition community command structure.

Education and training was the number one area of response in the 31 May 96 Navy survey asking for recommendations for change. It also ranked third in identified barriers. In the Fall 1996 OSD conference, it was clear that training and education must be looked at as an investment and that every manager must be responsible for assuring this investment occurs.

Application: Initial training for the Navy acquisition community was aimed at building an awareness of acquisition Reform throughout the Navy Department. Awareness was trained in waves, first training the trainers who were drawn directly from commands, then using those experts to train the 32,000-member acquisition force.

TRAINING AND EDUCATION

Specifications and Standards Reform Training Modules were developed and offered through the NAVSEA Human Resources Office. Subjects included: Writing Performance Specifications, Performance-Based Statements of Work, Best Value Source Selection, Performance Specifications of Work, Best Value Source Selection, Performance Specifications Impacts on Life Cycle Support, Military

Standards Conversion, and Automation Tools. A Performance Based RFP interactive CD has been prepared and distributed widely with TURBO STREAMLINER, a Navy RFP benchmarking aid.

Training for the Federal Acquisition Streamlining Act was provided by OSD through the Acquisition Reform Communications Center (ARCC) in both video and training module formats. Dissemination was accomplished by the ARTWG in a wave format and via download from the Acquisition Reform Home Page **(http://www.acq-ref.navy.mil)**. A FASA interactive CD received wide distribution.

NAVSUP took the lead in accomplishing Micro Purchase (Credit Card) and Simplified Acquisition Procedure (SAP) training through their Regional Training Resources infrastructure. They also developed a FACNET training package for 18 sites. CDS are available on both the Purchase Card and SAP.

Integrated Product and Process Development workshops focussing on implementation tools for engineers were prepared and presented by an NCAT/Georgia Tech/Texas Instruments team. A top-view awareness training session was presented to the Navy Acquisition Reform Senior Oversight Council. To facilitate continuous learning and broad application an 11-volume video set was prepared and 40 sets (including 100 workbooks each) distributed to key Navy locations. These sets are also available for purchase directly from NCAT by anyone on the larger Navy acquisition team.

A field focus training group is focussing on getting the right training as well as more training out into the system. NAVSEA is piloting a new approach at Newport News.

A 40-hour continuous learning requirement has been added to all personnel in the DAWIA workforce. A recommendation from the ASN(RDA) Strategic Plan Sub Working Group on Continuous Learning would spread this requirement across the entire workforce and provide for employees to self-certify completion of this requirement. Additional guidance on this objective would be distributed through the Defense Acquisition Career Manager (DACM).

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
CAIV INITIATIVE

Background: The notion of Cost as an Independent Variable (CAIV) is analogous to "target pricing" in the commercial sector. Industry conducts market surveys to determine product characteristics and acceptable price objectives. The developer then levies budget limits on down to his suppliers and aggressively monitors costs. In the real world, acceptable "Price" as determined by the customer, drives product "Cost". This is an inversion of the historic DoD paradigm that "Costs" drive "Price".

The goal of CAIV is to meet cost objectives while satisfying customer requirements. Cost is an independent variable, but it is not the only variable. Requirements still matter. The customer, or war fighter, must be cost conscious in setting requirements. But it is the job of the acquisition community, to provide the customer with a product which satisfies the stated requirements.

CAIV principles apply to all aspects and phases of the DoN and of a program's life. CAIV is a top-down process originating with the DoN "Enterprise" level. Cost and requirement objectives need to be vertically and horizontally consistent across all new and fielded systems. CAIV principles should guide the requirements setting process, technology development, management and execution of acquisition programs, and the operation and support of fielded systems.

Application of Initiative: CAIV should be managed through a hierarchy of trade-offs. Improved processes can potentially yield cost reductions which do not compromise the performance or other features and attributes desired by the customer. Implied requirements that do not directly contribute to the performance and features desired by the customer should be continuously scrutinized and considered for relaxation. Performance factors are subject to tradeoffs to arrive at an affordable balance which meets the customer's essential needs. Only if aggressive pursuit of the above activities does not adequately meet the cost objective should we back off on valuable requirements (or alternatively consider raising the cost-price objective).

CAIV is everyone's job. Program Managers cannot implement CAIV on their own. A "team of teams" involving requirements setters, customers, suppliers, operators, and managers of the support infrastructure is needed.

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CAIV

DEPARTMENT OF THE NAVY ACQUISITION REFORM CHANGE THROUGH EX-CHANGE INITIATIVE

Concept: The concept is to create an environment where lessons learned and success stories are valued and freely exchanged and adopted throughout Navy acquisition. The Change Through Ex-Change initiative will develop a systematic DoN-wide methodology to encourage the exchange and adoption of creative approaches, ideas, process innovations, and/or lessons learned among program management offices from each program at every ACAT level (I through IV). The project is aimed at opening additional lines of communication and encouraging the continuing exchange of ideas.

Description: The three-month cycle of formal exchange begins with the solicitation of two approaches, ideas, process innovations, or lessons learned from each active program at every ACAT level (I through IV). These ideas are collected and made available back to the programs via disk copy and the Acquisition Reform Home Page. Each program then selects two or three ideas from the collective product that may enhance their program and seeks out, and dialogues with, that program's representative during a formal Change Through Ex-Change Conference. Several program representatives have the opportunity to brief out their ideas during the Conference. ASN(RDA) then challenges representatives to embrace two innovative ideas and incorporate them into their program. The Acquisition Reform Office will host this conference on behalf of the ASN(RDA) team.

Implementation: The Change Through Ex-Change Conference is a catalyst to encourage the ex-change of approaches, ideas, process innovations, and lessons learned, by programs as part of the normal day-to-day business.

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CHANGE THROUGH EX-CHANGE

DEPARTMENT OF THE NAVY ACQUISITION REFORM CYCLE TIME REDUCTION INITIATIVE

Background: On September 14, 1994, the Secretary of Defense challenged the Department to work toward a goal of reducing major cycle times by at least 50 percent by the year 2000. In response to this challenge, ASN(RD&A) formed a cycle time reduction task group composed of senior Systems Command, PEO, and DRPM representatives to identify candidate cycle time reduction initiatives. The Navy Acquisition Reform Senior Oversight Council (NARSOC) was briefed in March 1995 and concurred with the cycle time reduction initiatives selected by the task group. The status of each initiative is being periodically briefed to the NARSOC in order to monitor progress.

Description: Cycle Time Reduction Initiatives

- Logistics Response Time. The goal of this initiative is to reduce the average time it takes to satisfy customer demands for secondary items. In accomplishing this goal, the focus is on balancing readiness with inventory, physical distribution, transportation, and maintenance costs. For further information on this initiative, contact LCDR Tim French, NAVSUP-4111 at (717) 790-6953.

- Pre-Milestone I Activities. The goal of this initiative is to recommend actions to ASN(RD&A) to reduce cycle times associated with requirements analysis, concept exploration, and other support preparation resulting in expeditious Milestone I decisions. For further information on this initiative, contact Mr. John Kuesters, AEGIS DRPM at (703) 602-7395.

- Fleet Modernization Program. The Fleet Modernization Program was established for the identification, approval, design, planning, programming, budgeting, and installation of improvements to a ship's capability or reliability. The goal of this initiative is to reduce fleet modernization cycle time by 50 percent by the year 2000 through process improvement and process re-engineering. For further information on this initiative, contact Mr. Pete Brown, NAVSEA-04 at (703) 602-1020.

- COTS Test and Evaluation. The goal of this initiative is to reduce cycle time for test and evaluation of systems using off-the-shelf hardware and/or software. For further information on this initiative, contact Mr. D. J. Sellers, SPAWAR 051-3A at (703) 602-8482.

- Aircraft Depot Maintenance. The goal of this initiative is to reduce Aircraft Depot maintenance turnaround time and weapon system maintenance costs. For further information on this initiative, contact Capt. Gary O'Neill, AIR-6.0 DA at (703) 604-1740 ext. 4917.

Points of Contact: Please refer to the above paragraphs.

CYCLE TIME REDUCTION

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
DESIGN-BUILD INITIATIVE

Background: In January 1997, the final rule was published authorizing the use of Two-Phase Design-Build Selection Procedures as well as recognizing that Design-Build may be procured using other acquisition procedures authorized by law, including, for DOD, the design-build process described in 10 U.S.C. 2862.

In the past, the amount of construction procured as design-build has been about 10 percent a year of the construction dollars. Because of the advantages of design-build, NAVFAC expects to increase its use to about 30 percent of the construction dollars within the next year.

Description: Design-build is the combining design and construction in a single contract with one contractor. This contrasts with the traditional delivery method of design-bid-build where design and construction are sequential and contracted for separately with two contracts and two contractors. In the design-bid-build approach, detailed design specifications predominate; however, performance specifications are utilized in design-build contracts. NAVFAC has procured design-build construction using three contractor selection methods:

- Sealed bidding - referred to as Newport Design-Build. This method is used for non-complex projects such as child care centers.
- Two-step sealed bidding. This method has been used on occasion.
- Competitive negotiation/source selection. This method, referred to as "Turnkey" family housing, originated with the passage of 10 U.S.C. 2862, which was a test program limiting each service to three contracts a year using this delivery system for family housing. This method has expanded to include more complex projects such as the Engineering Services Building at Port Hueneme, for which the solicitation contained only 20 pages of performance specifications.
- Two-phase design-build. This procedure has two-phases. Phase one includes the submission of pre-qualification evaluation factors, excluding cost or price related factors. After evaluating phase one proposals, the contracting officer selects the most highly qualified offerors (not to exceed the maximum number specified in the solicitation and requests that only those offerors submit phase two proposals.) Phase Two solicitations require submission of technical and price proposals.

Advantages of using design-build procedures include:

- Administrative (redirecting responsibility):
  - Hold one party accountable
  - Minimize conflict in responsibility
  - Reduce project management time
  - Designer and builder mutually work together

- Technical (performance specifications):
  - Encourages process innovations
  - Allows getting most cost-effective design solutions
  - Great savings in level of details within construction documents (brand names/private practice)
  - Allows use of local codes

DESIGN-BUILD

- Time (task and performance specifications):
  - Reduces response time for getting design to street
  - Do not have to continue to reinvent the wheel
  - Reduces project delivery time

- Cost:
  - Encourages and allows more competition
  - Reduces change order rate

Activities have planned projects using the new Two-Phase Selection Procedures.

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DEPARTMENT OF THE NAVY ACQUISITION REFORM DUAL USE APPLICATON PROGRAM (DUAP) COMMERCIAL OPERATIONS AND SUPPORT INITIATIVE

Background: The Dual Use Application Program (DUAP) is a joint program of the Army, the Navy, the Air Force, the Director, Defense Research and Engineering (DDR&E), and the Defense Advanced Research Projects Agency (DARPA) and is conducted by the Joint Dual Use Program Office (JDUPO). In FY 97 Congress appropriated funding for a new effort under this program which has been designated the commercial operations and support initiative.

Description: The goal of this initiative is to develop and test a method for reducing Department of Defense (DoD) operation and support costs by inserting commercial products and processes into fielded military systems. The insertion of commercial products and processes is expected to reduce O&S costs by reducing the costs of parts and maintenance, reducing the need for specialized equipment, increasing reliability, and increasing the efficiency of subsystems.

This initiative seeks proposals submitted by firms or teams that include at least one for-profit firm. Proposals must also have the written support of a military customer. Selected proposers will develop, manufacture, and deliver prototype "kits" to the military for installation into a funded DoD system. Each kit will consist of a commercial product or process that has been adapted, qualification tested, and readied for insertion. Proposers may also choose to offer maintenance service agreements for their kits to assure their performance and reliability. In Stage I of each selected project, DUAP and the chosen proposer will share the costs of developing and testing the kit. In Stage II, provided Stage I has been successful, the military customer may purchase reasonable production quantities of the kit, and payment for their insertion into the fielded system will be the responsibility of the military customer.

To reduce the traditional administrative burden and oversight of government contracts, this initiative plans to use during Stage I an innovative type of agreement known as an "other transaction." This type of agreement allows a great deal more flexibility and has far fewer regulatory requirements than a typical federal acquisition regulation (FAR) contract. In particular, this agreement will not generally require government cost accounting standards nor government cost audits. Furthermore, intellectual property provisions may be negotiated that differ from those usually found in procurement contracts.

Implementation: The FY 97 commercial operations and support initiative schedule is as follows:

- January 15, 1997
  Publication of the solicitation
- February 12, 1997
  Bidder's conference
- March 18, 1997
  Proposals due from industry
- May 2, 1997
  Proposals selected for negotiation

It is anticipated that this initiative will continue in FY 98.

DUAP COMMERCIAL OPERATIONS AND SUPPORT

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
EC/EDI INITIATIVE

Background: Electronic Commerce and Electronic Data Interchange (EC/EDI) are key automation tools for streamlining the acquisition process. EDI is the computer-to-computer exchange of routing business data and documents using standard commercially available products. The Deputy Under Secretary of Defense (Acquisition Reform) has directed the implementation of EDI-based contracting systems at hundreds of DoD installations accounting for over 80 percent of DoD's small purchases. When fully enacted, this will evolve our acquisition process from one driven by paperwork into an expedited electronic process for procurements up to $100,000 in accordance with the requirements of Public Law 103-355, the Federal Acquisition Streamlining Act of 1994 (FASA).

Description: FASA requires a "Federal Acquisition Computer Network" (FACNET) be established and fully implemented within five years which will:

- inform the public of Federal contracting opportunities
- outline details of Government solicitations
- permit electronic submission of bids/proposals
- facilitate responses to questions about solicitations
- enhance quality of available data on the acquisition process
- be accessible to anyone with a personnel computer and modem

To be FACNET certified, an activity must demonstrate ability to transmit standard electronic format (ANSI X12) transactions using DoD approved telecommunication channels. In addition to the above EDI transactions, increased emphasis has been placed on expanded use of other Electronic Commerce techniques to streamline the acquisition process (e.g., electronic solicitations and source selections, on-line contract statusing vice traditional CDRL reports).

Application of Initiative: Navy has been a strong player in the evolution of EDI policy and FACNET implementation. Navy was the first service to request FACNET certifications and within 12 months had implemented FACNET EDI at 38 activities. In FY 96 we issued over 18,000 EDI transactions for in excess of $295 million.

While industry primarily used EDI for electronic ordering against pre-existent contracts or catalogues, DoD has attempted to expand its usage to cover all categories of competitive requirements via a central network ("single face to industry") and a single set of EDI conventions and operating procedures. This has proven a technically challenging endeavor, and efforts are on-going to improve FACNET performance parameters.

EC/EDI

In addition to FACNET, Navy continues to make strides in other areas of Electronic Commerce such as acquiring on-line, real-time access to contractor management information and use of Internet as a bulletin board to invite industry comment in drafting Government requirements and to

electronically solicit offers. Many Navy RFPs demonstrate these streamlining and partnering initiatives with the Joint Advanced Strike Technology Program's Broad Agency Announcements and current requests for proposal for Concept Demonstration being good examples of such forward thinking and automation technology application.

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DEPARTMENT OF THE NAVY ACQUISITION REFORM INTEGRATED PRODUCT AND PROCESS DEVELOPMENT INITIATIVE

Background: World class industries have demonstrated that by integrating functional disciplines and using Integrated Product and Process Development (IPPD), time and costs can be significantly reduced and product quality improved. The Navy is working with its prime contractors to explore and implement this approach.

Description: IPPD is a management philosophy incorporating a systematic approach to the early integration and concurrent application of all disciplines needed for weapon system acquisition and life cycle support. It is the preferred management process in the new DoD 5000 series instructions.

Application of Initiative: Many major Navy program contractors are implementing the IPPD philosophy, working closely with their Navy counterparts. More training and lessons learned are needed to expand its application to other Navy programs. Training courses will be identified and/or developed to accelerate the application of IPPD throughout the Navy acquisition community and their contractors. Areas such as modeling and simulation, tools, processes, and the effective use of IPTs to manage the IPPD approach will be reviewed and applied as appropriate. Of special concern is the integration and seamless application of the above.

Successes: Participants in the process indicate that IPPD works well and shortens the development time. Earlier costs may be somewhat higher, but leveraged payback will be found during production and operation.

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IPPD

DEPARTMENT OF THE NAVY ACQUISITION REFORM INTEGRATED PRODUCT TEAMS INITIATIVE

Background: The Secretary of Defense has directed the use of Integrated Product Teams (IPTs) wherever practicable throughout the acquisition system. Industry has found that IPTs can be highly effective in improving communications and decisions.

Description: IPTs are cross-functional teams formed to integrate the knowledge and experience of individuals to make balanced decisions and provide products that satisfy their customers.

Application of Initiative: There are three basic applications of IPTs.

- At the oversight, issue resolution, and program approval level, an overarching IPT, integrating IPT, and working IPT are used by DoD and the services for all ACAT ID programs.

- At the Program Management Level, IPTs are used by program personnel to direct and manage the program. Most Navy Program Managers are using some form of IPT to implement their program. Frequently, several teams are used.

- At the contractor level, IPTs are used to implement the Integrated Product and Process Development (IPPD) process to design and build the product. There may be many interdependent teams involved, and both government and contractor personnel may be on the teams.

Collocation: ASN(RDA) memo of 1 October 1996; Subj: Policy for collocation of Department of the Navy program management teams - establishes policy to utilize geographic collocation with the prime contractor for management of major programs during critical program phases to the maximum extent practicable. DCMC has committed to fully support collocated integrated product teams and to develop a memorandum of agreement between the local DCMC office and the collocated integrated product team. An excellent example of policy implementation is the collocated R&D facility which DRPM AAAV shares with its prime contractor, General Dynamics Land Systems Division.

Successes: The use of IPTs results in earlier and more effective decisions and more efficient implementation of those decisions. The required culture change takes time, but there are indications that overall Navy acquisition personnel find that their use improves the acquisition process.

Because of the power of the effective application of IPTs, this initiative is to ensure widespread awareness, training, and dissemination of lessons learned throughout the acquisition community. Areas such as teambuilding, use of information technology, metrics, infrastructure support, meeting discipline, and the development of high performance teams will be reviewed and the results made available to acquisition personnel to enable them to more effectively implement the IPT concepts.

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INTEGRATED PRODUCT TEAMS

DEPARTMENT OF THE NAVY ACQUISITION REFORM OPEN SYSTEMS ARCHITECTURE INITIATIVE

Background: "Open systems" is a much broader concept than just software, computers, and electronics. In weapons systems, the adoption of the open systems approach is nothing short of revolutionary!

Open systems are important because DoD no longer "drives" development. Instead, DoD must use what industry has developed for commercial applications. In addition, the commercial market can incorporate new technology 4 to 8 times faster than the historical 8- to 15-year DoD acquisition cycles.

Description: The definition of open systems in DoD 500.2-R (23 Mar 96) is "a business and engineering strategy to choose specifications and standards adopted by industry standards bodies or *de facto* standards (set by the market place) for selected systems interfaces (functional and physical), products, practices, and tools." The DoD vision is to use open systems to leverage commercial products and practices in order to field superior warfighting capability more quickly and more affordably. What this means is to move from narrowly used, closed systems with unique designs and optimized performance to widely used, open systems with many suppliers, many customers, long life architecture and technology upgrades. Open systems also:

- Have well-defined, widely used, nonproprietary interfaces and/or protocols;
- Use standards to define interfaces;
- Provide for expansion or upgrade by incorporating or adding new technology; and
- Use performance based specifications to spell out what the system should do.

Benefits from the use of Open Systems Architecture (OSA) include: Fielding systems faster, easier technology insertion, increased competition, reduced life cycle costs, better performance and use of state-of-the-art systems.

The Open Systems Joint Task Force (OS-JTF) suggests four ways to get started: (1) Designate an open systems "champion" in your organization; (2) Start a pilot project and learn as you go; (3) Initiate horizontal technology; and (4) Take advantage of products and services available from OS-JTF. The mission of the OS-JTF is to champion the establishment of open systems as the preferred technical approach and business strategy for the acquisition of all weapon system electronics. Specifically, they provide hands-on technical advice, needs assessments, evaluation of solicitations and specifications, staff training in the open systems approach, and analysis of your overall program.

OPEN SYSTEMS ARCHITECTURE

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DEPARTMENT OF THE NAVY ACQUISITION REFORM OUTSOURCING IN THE NAVY INITIATIVE

Background: Outsourcing is not a new concept--in the Government it has been around for over 30 years. The new emphasis on outsourcing, however, is budget driven and a sign of the nineties. Contrary to the outsourcing processes in the seventies, when we were gearing up for the 600 ship Navy, outsourcing is here to stay, just like the budget constraints of the post cold war Navy. And, since the Navy needs to realize the savings, the new process is supposed to take only twelve months.

As the Navy is faced with declining budgets an increasing share of the available budget is going to support an infrastructure, as opposed to acquisition and maintenance of the fleet. To enable the Navy to modernize the fleet and acquire new technology to execute a modernization program leading into the next century, the Navy must fund acquisitions by reducing operation costs. One way to reduce infrastructure cost is use of the Office of Management and Budget Circular Number A-76 ("A-76") study process to determine the most efficient means of providing services--if the services are considered commercial activities. The A-76 process will initiate a cost comparison and competition between government and industry compelling both to become more efficient. Recent studies by the Center for Naval Analysis and the Defense Science Board suggest that cost savings of 30 percent are possible. Consequently, the Navy is actively pursuing the A-76 process as a means for cost savings. Savings resulting from the process will be applied to fleet modernization. CNO has directed that the performance of commercial activities involving 80,000 positions be competed through the A-76 process over the next 5 years.

Description: $3 Billion Savings from Outsourcing. On 8 January 1997 CNO announced the Navy Outsourcing Competition (Message CNO WASHINGTON DC//N4// 082326Z JAN 97, Encl. 1) in which 10,665 positions and 146 activities will be looked at for outsourcing. On 10 January 1997 this was followed by a detailed message requesting Plans of Action and Milestones from Major Claimants (Message CNO WASHINGTON DC//N4// 102025Z JAN 97, Encl. 2). As CNO N4 states in the message: "The Navy's Program Objectives Memorandum (POM) for fiscal year 1998 included a wedge projecting over $3 billion in savings from outsourcing competitions. Outsourcing competitions must be initiated to meet the challenge posed by this ambitious, but achievable goal."

Outsourcing Support Office. In recognition of the challenge presented by the process, CNO established the Outsourcing Support Office (OSO) on 1 May 1996 (Message CNO WASHINGTON DC//N4// 011430Z MAY 96, Encl. 3). As the message states, the OSO is headed by Naval Facilities Engineering Command (NAVFAC) and staffed jointly with experts from Naval Supply Systems Command (NAVSUP) and NAVFAC. The OSO is available to assist Commanding Officers and their staffs, including on-site support through the Outsourcing Support Coordinators strategically located to assist activities undergoing the A-76 process, generic

OUTSOURCING IN THE NAVY

Performance Work Statements, and a standardized methodology for the process as outlined in OSO's guide "Succeeding at Competition." The OSO has also access to open-ended contracts to allow activities to augment specialized support as required.

Commanding Officers' Responsibility. Commanding Officers face an enormous challenge in conducting A-76 studies, achieving significant savings, and maintaining operations at current or improved levels of performance. All this must be accomplished in light of considerable and understandable resistance from employees affected by the results of the A-76 process. Further, the process itself must be completed within 12 months, which pushes the limits of the contracting process and the personnel assigned to complete the study. The OSO provides a support network for the A-76, or outsourcing process, and was established by CNO, not to set policy, but to provide guidance and support to Commanding Officers tasked with performing A-76 studies.

15 Steps to Success. OSO divided the A-76 process into 15 discrete steps and developed a schedule for competing the 15 steps within a 12-month time frame. The A-76 timeline is illustrated in Encl. 4. Step 1 provides guidance on how to develop a plan--the Action Plan--for conducting the A-76 study. Step 2 is one of the two critical steps in the 15-step process (Step 7 is the other critical step. Step 2 is the development of the Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP). The PWS describes the work to be performed, including results or outputs. Contractors and the government in-house organization will develop their respective offers to perform the work requirements during the course of the A-76 study based on the PWS. The QASP describes procedures the government will use to ensure that the actual performance of a successful contractor's proposal meets the requirements of the Performance Work Statement, if a contractor is selected to perform the work as a result of the cost comparison. Similarly, the QASP also forms the basis for the Post-Most Efficient Organization Performance Review, which is an evaluation of the in-house organization's performance if it is selected to perform the work as a result of the cost comparison.

Step 3 and 4 involve review and approval of the PWS and QASP. Step 5 identifies methods of conducting interaction with private industry and potential offerors in preparation for issuance of a solicitation for performance of the commercial activity. Step 6 covers the issuance of the solicitation. Step 7 is the other critical step in the process and involves the development of the Management Pan. The Management Plan is the in-house organization's proposal for how it will perform the commercial activity. It describes how the current organization will be structured (or restructured) and staffed and the operating procedures to be followed in performing the requirements of the PWS.

Steps 10 through 13 involve those actions necessary to evaluate the contractor proposals and determine the "winning" contractor offer which will be compared to the in-house offer. The process of comparing the government offer with the private industry offer is conducted in Step 14. In Step 14, if the source selection authority determines that the government proposal will not offer the same level of performance as the contractor offer, the government proposal is revised and the cost is recalculated. The purpose of this provision is to ensure that when the government and contractor cost proposals are compared, the respective cost estimates reflect the same level of work. Encl. 5 illustrates the A-76 study milestones. Encl. 6, the process, provides the Commanding Officer with a one-page overview that highlights the major issues associated with each step of the process.

The Road Ahead. The A-76 study process is a competition to provide services between the existing government work force and private industry. The process is designed to allow a fair and equitable comparison of the government and contractor offers. The offeror that provides the best value to the government will ultimately prevail. Under the A-76 process the Government can, and will, operate like a

business with the economies of savings supporting the modernization of the Fleet.

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DEPARTMENT OF THE NAVY ACQUISITION REFORM PAST PERFORMANCE EVALUATION INITIATIVE

Background: In 1993, OFPP Policy Letter 92-5 signaled renewed emphasis on the importance of contractor past performance records as a significant element of "best value" source selection. This was subsequently promulgated by FAC 90-26 which provided changes to the FAR (Parts 9, 15, and 42) covering source selection factors, data collection/validation and mandatory performance evaluations. A Best Practices Guide was issued by OFPP in May 1995 to suggest methodologies for compliance with these policies. Usage under $100,000 is encouraged wherever appropriate. Expected benefits include increased quality of deliverables, improved risk assessments, reduced life-cycle costs, and less reliance on mediocre performers.

Application of Initiative: The Navy has been leader in the use of past performance information. In systems acquisition and major field contracts, past performance has had widespread use for well over a decade as a subelement in best value source selections. For small purchases, the Navy implemented in 1989 an electronic database of easily accessible objective data entitled "Red-Yellow-Green" (RYG) with a variant suitable for large purchase application. This has proven extremely successful in reducing material reject rates and obtaining best value. In accordance with the new policies and regulatory requirements pertaining to past performance, the Navy is providing increased weight to its past performance evaluations and will shortly issue samples of the best provisions (RFP sections L and M) identified by ASN in reviews of SYSCOM and field RFPs. Additionally, the RYG system has been expanded to include delivery timeliness elements.

Successes: Traditionally, the Navy has used "best value" contracting techniques primarily in the cost reimbursement and R&D arenas where it was clear that different technical approaches were possible and tradeoffs could be expected between cost/technical elements. This is now being applied to fixed price contracting and items with stable configurations or technology with the best value assessment made on the basis of best combination of proposed price and past performance record. As a result, the number of best value candidate procurements has dramatically grown in major contracts and also has expanded into small purchases via the RYG program. RYG procedures have been sustained by GAO and Federal District Court as a viable best value methodology, have demonstrated annual savings cost avoidances exceeding $16 million annually, and have reduced the rate of rejected/nonconforming material experienced with traditional (non-conforming material experienced with traditional (non-RYG) inspection systems by nearly 75 percent.

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PAST PERFORMANCE EVALUATION

DEPARTMENT OF THE NAVY ACQUISITION REFORM PRIVATIZATION OF NAVY FAMILY HOUSING INITIATIVE

Background: FY 95 legislation (Public Law 104-106, section 2801) authorized the Secretary of the Navy to enter into limited partnerships with private developers for the development of Navy family housing.

Description: In July of 1996, Naval Facilities Engineering Command executed the first limited partnership agreement with a private developer to build 400 units of quality affordable housing for Navy families near Naval Station Ingleside and Naval Air Station Kingsville, Texas. The developer instrumental in the success of this initiative is Landmark Organization, Inc. of Austin, Texas. The project cost will total approximately $30 million. The Navy's total equity contribution is $9.5 million. The developer is responsible for financing the remaining balance. As a general partner, the developer will operate and maintain the housing for the term of the partnership.

Two features of this innovative acquisition stand out.

- First, the Navy was able to leverage the private market to create affordable quality housing using only one-third the funds normally required by traditional military construction methods.

- Second, the schedule for planning and construction of the units is approximately one-third the time usually taken for such projects.

Approximately 16 similar projects have been identified for future consideration of privatization.

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PRIVATIZATION OF NAVY FAMILY HOUSING

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
RFP BENCHMARKING INITIATIVE

Background: With the release of DoD directives for Specification and Standards Reform and the passage of the Federal Acquisition Streamlining Act of 1994, which amended, replaced, or eliminated over 225 provisions of prior acquisition policy and regulation, it became clear that unprecedented levels of change had arrived. It was also apparent that understanding these new policies and directives, accepting the cultural change, and pragmatically translating them into practical operating procedures and RFP provisions would be a serious challenge. Until such time as the systems commands could train their personnel and fully integrated new philosophies and techniques into their normal operating processes, each Service found it essential to establish a central RFP review and assistance team to act as an agent of change and repository for lessons learned.

Description: In May 1995 ASN(RDA) established the Navy RFP Benchmarking Team to "assess the effectiveness" of our acquisition reform policies and provide practical assistance in improving the RFP process. An as hoc team of 12 functional experts from ASN(RDA), DCMC, and each hardware systems command was selected and trained to review pre-solicitation draft RFPs provided on a voluntary basis by individual program managers. These personnel were drawn from the full range of acquisition disciplines, and all were DAWIA level III qualified.

Application Successes: Between October 1995 and April 1996, the Benchmarking Team reviewed 31 RFPs, primarily focusing on ACAT I/II programs, and developed numerous lessons learned and "best practices" sample RFP provisions. These have been subsequently distributed via newsletters and the ASN(RDA) Acquisition Reform Office Home Page. The results of the reviews have been compiled into a tool (*Turbo-Streamliner*) for creating and reviewing RFPs with attention to acquisition reform principles that are now electronically accessible.

Turbo Streamliner as of early January will have received 100,000 separate subscriber queries on its Internet web page (http://www.acq-ref.navy.mil/Turbo/) in its first six months of existence. Turbo Streamliner has been endorsed by OSD, all DoD services, and the Defense Acquisition University. It is included as a module of the mandatory DoD acquisition training courses (CON 201, CON 301, and CON 333) and is the centerpiece of Navy's "Performance Based RFP Course."

The principles and lessons included in *Turbo Streamliner* have been applied to numerous Navy/Army/Marine Corps/Air Force requirements. The benefits have been substantial and are perhaps most easily demonstrated in the Army/Marine Corps 155mm Howitzer Program for which the Turbo Streamliner team was awarded both Navy and DoD Acquisition Innovation Awards in 1996.

RFP BENCHMARKING

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DEPARTMENT OF THE NAVY ACQUISITION REFORM SIMULATION BASED ACQUISITION INITIATIVE

Background: Modeling and simulation (M&S) technologies will significantly change the way we do business leading to a more efficient and effective acquisition process. M&S will increase the quality of decision making, enable innovative training, and enhance affordability strategies.

We need to change the way we think about virtual prototypes. They must be accepted as an essential new way of conducting business rather than as a new cost. They are interim versions of end products not surrogates for real systems. Their value lies in communicating the important characteristics of products so that faster and smarter decisions can be made.

Our systems are extremely complex and require many experts to develop and field them. M&S is fundamental to rapidly providing multidimensional information. IPTs will more readily be able to conduct Integrated Product and Process Development (IPPD) if they could operate on timely factual representations of their systems.

The driver for the return on investment for wide application of modeling and simulation is aggressive reuse of the information across functions and development phases. Information is an asset, just like cash. We should generate it once and put it to work again and again.

Application of Initiative: Infrastructure must be standardized for transfer and interoperability of M&S. We need standardized layered services to access the nets. The DoD Common Technical Framework is an excellent functional description of what is needed.

We also need to apply business process simulation. Costs are driven by activity. Key to reducing costs is our ability to recognize and remove non-value-added or low-value activity. In many cases we do not have our own processes codified. We need to better define and analyze our enterprise business processes.

No system performs independently; rather it is a system within a system of systems. Similarly, no acquisition strategy is independent. PMs must consider many aspects of the puzzle which is getting more complex as the industrial base shrinks. Change order activity often results in unexpected cost growth due to the interaction of new work with work in progress. This will be more frequent in defense unique industries as industrial capacity for unique products erodes. There will be times when we must protect these unique capabilities often found in one or two companies. Business process simulation tools provide valuable insight into these decisions.

SIMULATION BASED ACQUISITION

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SINGLE PROCESS INITIATIVE

Background: On December 8, 1995, Secretary of Defense William Perry and Under Secretary of Defense for Acquisition and Technology Paul Kaminski announced implementation of the Single Process Initiative (SPI). SPI transitions contractor facilities from multiple government-unique management and manufacturing systems to the use of common, facility-wide processes. Using a "block change" modification approach, SPI unifies requirements in existing contracts on a facility-wide basis, rather than on a contract-by-contract basis.

The Single Process Initiative is key to DoD Acquisition Reform efforts; it provides a method to implement acquisition reform goals in contracts today. It is intended to reduce contractor operating costs and achieve cost, schedule, and performance benefits for the government. The benefits of SPI are more efficient, consistent, stable processes for the contractor, greater ease of contract administration for both contractor and government, and savings for the taxpayer.

Application of Initiative: The role of the Defense Contract Management Command (DCMC) and its Administrative Contracting Officers (ACOs) is pivotal to the success of SPI. Secretary Perry directed that the ACO assigned to a facility be the single point of contact for this effort. ACOs will lead the coordination and negotiation of contract modifications (block changes) to existing contracts for contractor concept papers/proposals. The contractor must propose and substantiate SPI common processes. The key DoD customers, those program offices or buying activities that represent 80 percent of the contract dollar value at that facility, will review and comment on the contractor proposal. A team leader will be designated to represent all DoN customers at that facility to the ACO. All DoN customers will be notified by DCMC prior to the final approval of the proposal and the subsequent block change modification. The ACO, the military service team leaders, the contractor, and the Defense Contract Audit Agency (DCAA) must work together and take advantage of this important initiative.

To date, 136 contractors have generated 671 SPI proposed process changes of which 243 have already been approved for use. These numbers represent a growing interest by both government and industry representatives to participate in SPI and bolster its potential for success in the future. Effective coordination of government, industry, and service participants in developing and implementing SPI policies and procedures is notably responsible for its current success.

Although SPI is gaining momentum within industry and the acquisition community as an effective streamlining method, there are many issues that need to be addressed if it is to continue to be successful. Resulting from government and industry concerns related to SPI implementation, metrics, cost/benefit, and consideration, the ARO sponsored its second government/industry SPI conference. The conference was held on 10 December 1996 in Rosslyn, Virginia. It was a workshop-style conference which featured a government

SINGLE PROCESS INITIATIVE

PEO panel discussion, SPI success stories, and breakout sessions. The conference breakout sessions addressed prominent SPI issues that could determine the future success of this important acquisition reform initiative. In-depth deliberations during the breakout sessions focused on the overall impact of prime/sub contractor interaction and SPI cost/benefit issues. Future SPI conferences and roadshows are planned for FY 97 to continue the momentum and move towards the next phase of DoN SPI.

Other SPI issues currently in need of resolution include Law and Regulatory SPI proposal guidance and incentive challenges facing industry and government participants alike. The ARO is continuing its effort to promote the success of SPI through continued education and training of DoN personnel and its active participation in industry/government sponsored seminars, workshops, and IPTs.

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DEPARTMENT OF THE NAVY ACQUISITION REFORM SPECIFICATIONS AND STANDARDS REFORM INITIATIVE

Background: On June 29, 1994, Secretary of Defense Perry signed his policy on Specifications & Standards - A New Way of Doing Business, which dramatically changed the way requirements would be written in acquisitions. The policy directed the use of performance and commercial specifications and discouraged the use of military specifications and standards by requiring the approval of a waiver. The DoD policy was initially implemented within DoN by an ASN(RD&A) memo on July 27, 1994 and was fully implemented by the Standards Improvement Program Plan on December 21, 1994.

Application of Initiative: The Standards Improvement Program Plan emphasizes three major thrust areas: (1) a performance-based solicitation process, (2) military document improvement, and (3) cultural change. Actions to facilitate a performance-based solicitation process include: benchmarking performance-based RFPs, holding forums to share lessons learned on preparing performance-based solicitations, developing tools for assisting in the preparation of performance specs and RFPs (SPECRITE, RFP templates, guide specs), and publicizing the availability of existing databases and references for use in defining requirements (Program Managers Work Station, COTS user documentation).

The military document improvement effort includes the review, disposition, and actions taken on the over 8,000 military specifications and standards owned by DoN. The exhaustive review of these documents resulted in the final disposition decisions: 34 percent are being canceled or inactivated, 36 percent are being converted to performance-based, 12 percent are being converted to commercial documents, 17 percent are being retained and updated as military-unique detail documents, and 1 percent will be retained as handbooks. The cultural change thrust area requires a longer term investment in training and communication. Key functional training topics on specifications and standards reform developed and being offered include: writing performance specs, preparing performance-based statements of work, impacts on supportability from using performance specs, and military standard conversion.

DoN has made significant accomplishments in specs and standards reform since the Perry initiative in June 1994. In building on the successful actions and following the themes of the three major thrust areas, a Phase II implementation plan provides a broadened, accelerated agenda for accomplishing the next phase of specs and standards reform. This plan includes emphasis on: reprocurements and smaller acquisition programs, early industry involvement in requirements determinations, transitioning the RFP benchmarking process to be systems command managed, accelerating the conversion or update of specifications and standards, improving the conduct of market analysis, maximizing the use of commercial items, implementing pollution prevention actions within our military documents, and reviewing currency and applicability of International Standardization agreements.

SPECIFICATIONS AND STANDARDS REFORM

Current Status: To capitalize on the benefits realized since

the release of the initial Standards Improvement Plan in December 1994, a Supplemental Plan was released to the Command Standards Improvements Executives in October 1996. This guidance extended the concept of standards reform to non-ACAT programs and to reprocurements. This intent is to have the various program mangers rationally analyze their respective procurements and determine where standards reform is cost-effective. A pilot project for torpedo air stabilizers was initiated in order to assess the value on re-procurements.

New training opportunities have been developed to assist the program offices in the assembly of Requests for Procurement. The Performance Based RFP course provides three days of training for writing sound solicitations based on performance requirements. Course tracks for ACAT, non-ACAT, and service contracts are available through the systems commands.

Document conversion are continuing at a rapid pace. In addition to completing the originally planned actions, a new strategy of providing complete Federal Supply Classes to non-Government Standards bodies is being planned. Lead Standardization Activities are coordinating this formal effort. Initial execution plans are due to the Acquisition Reform Office in March 1997. Roughly 600 DoN-controlled documents are involved.

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DEPARTMENT OF THE NAVY ACQUISITION REFORM TOTAL OWNERSHIP COSTS INITIATIVE

Background: The Naval Research, Development, and Acquisition Team Strategic Plan identifies several strategic goals to focus on over the years ahead. One of these goals is centered around total ownership cost. A number of teams have been established to scrutinize the way business is done to better understand and manage total ownership costs over the entire life cycle in order to produce savings for recapitalization and modernization.

The full set of elements making up total cost to the Navy, including direct and indirect, will be identified. Significant cost drivers, contributing factors that drive total costs, and management structures essential to influence and control those drivers will be identified.

Application of Initiative: The VAMOSC data base will be examined with an eye to reengineering the data sets to be more useful to acquisition managers. Incentives will be developed to encourage cost-consciousness throughout the department. Lessons learned from successful and nonsuccessful initiatives will be deployed throughout the department. Models and tools that have demonstrated utility in the cost as an independent variable approach will be highlighted and made available to all users to apply to their programs and tasks.

Along with the traditional cost estimation approach to understanding costs, an enterprise view of our business processes will be taken. Costs are driven by activity. The key to reducing costs is dominated by the ability to recognize and drive out non-value-added or low value activity. In many cases our own processes have not been codified. Better definition and analysis of our internal business processes must be better defined along with communicating to industry expectations of process characteristics. Such techniques as activity based costing methods will also be explored to determine application to Navy business processes.

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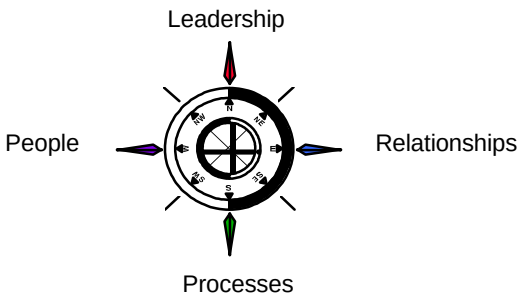
TOTAL OWNERSHIP COSTS

DEPARTMENT OF THE NAVY'S ACQUISITION REFORM MANAGEMENT ACTION PLAN

The Department of Navy Acquisition Reform Management Action Plan (the MAP to acquisition excellence) calls for building a continuous dialogue to identify mutually beneficial opportunities and practices. In November 1995, DoN conducted its first annual Chief Executive Officer Conference, a meeting between Chief Executive Officers of Industry and high-level members of the Navy acquisition community. The second CEO Conference was held 20-22 October 1996. The sessions opened dialogue between DoN and its supporting base, and offered corporate leaders a forum to engage in frank, information discussions of important issues crucial to the effectiveness of the weapon systems acquisition process and acquisition. Other MAP target areas are partnering with Industry and employing cooperative DoN/Industry procurement processes. The Navy continues to work on specific actions under these target areas.

CARDINAL POINT TARGET AREAS



LEADERSHIP

Decentralize decision authority to place responsibility and accountability at the lowest practicable level.

- Move ACAT III oversight responsibility from ASN(RDA) staff to the Milestone Decision Authorities (MDAs).
- Encourage MDAs to re-delegate Milestone Decision Authority for ACAT IV programs to program managers.
- Delegate ACAT III and IV designation authority to the PEO/SYSCOM/DRPM level.
- Delegate Acquisition Plan (AP) approval authority to PMs with Milestone Decision Authority.
- Accelerate the maximum agency delegation of information technology procurement authority to Heads of Contracting Activities.
- Encourage risk taking by protecting employees who take prudent risks.

MAP

Pursue acquisition program stability.

- Building on the Acquisition Coordination Team concept, establish a framework for re-engineering the interaction among requirements setting, planning and budgeting and acquisition communities.
- Develop rapid reprogramming capability within a program to move funding among RDT&E, procurement, and OM&N accounts when unforeseen changes dictate.
- Investigate establishing a prototype for a 'single program appropriation' with post facto funds usage reporting to Congress.
- Identify the barriers to using multi-year contracting in order to maximize its use.
- Explore root causes of extraordinary change activity and develop a program to minimize impact on program stability.
- Partner with industry to minimize the motivation and opportunity for 'buy-ins' on programs.
- Develop strategies and tactics to enhance program execution flexibility.
- Build partnership with resource sponsors.

Establish an Acquisition Center of Excellence (ACE) to accelerate the cultural change required to implement Acquisition Reform.

- Design and operate an acquisition management laboratory for assisting program management teams, PEOs, and SYSCOMs to re-engineer their business processes.
- Provide a capability to gather, test, evaluate and adapt world-class practices, technology and leadership skills to the DoN acquisition environment.
- Enable collaborative virtual prototyping and dynamic business modeling of DoN weapons systems acquisition to accelerate technology transition into Fleet products.
- Establish a 'Top Gun' capability for honing key management skills.
- Jump start new projects by providing a 'skunk works' management environment for rapid, innovative program design.
- Create an electronically accessible resource library providing information, knowledge, lessons learned, and state-of-the-art practices to its customers.
- Deploy Program Managers Assistance Group to assist program managers.
- Deploy and apply Integrated Product and Process Development.

Measure the improvements that reform initiatives make to the acquisition system.

- Develop, assess, and track metrics indicative of desired acquisition reform results, with emphasis on overall cost reduction.
- Widely communicate acquisition success stories.
- Measure progress in accomplishing the DoN Cardinal Points.

PEOPLE

Provide regulatory latitude so our acquisition professionals are empowered to make sound business decisions.

- Replace the Navy Acquisition Procedures Supplement (NAPS) with outcome-based policy and procedures.
- Eliminate the requirement for Requiring Activity Competition Advocates.
- Improve Justification and Approval (J&A) document processing by concurrently developing and staffing them with Acquisition Strategy Reports (ASRs) and increasing use of Class J&As.

Create incentives for individuals, particularly program managers, to propose improvements and eliminate impediments to the acquisition process.

- Partner with the comptroller and the resource sponsor to enable program managers to retain a portion of program cost savings realized through innovative cost reduction.
- Develop a program that recognizes and rewards individuals, using techniques such as gainsharing and DAWIA special pay authority, who have reduced the total cost of ownership.

Develop and deploy effective training courses and state-of-the-art techniques to achieve acquisition reform objectives.

- Integrate future Acquisition Reform training needs into DAWIA certification requirements and establish continuing education requirements for level III acquisition personnel.
- Working with National Center for Advanced Technologies (NCAT), develop an Integrated Product and Process Development education and training program for program management teams.
- Create a program to exchange developing leaders with world-class industrial and management organizations.
- Team with non-governmental training entities to develop and offer a curriculum of study on the employment of current DoD Acquisition Reform initiatives to accelerate cultural change.
- Exploit all available media (such as interactive CDs, videos, Internet) to provide rapid broad-based education and training in acquisition reform.
- Use the Acquisition Center of Excellence to train acquisition teams in applying the latest information technology and software tools to solve ‘real world’ acquisition problems.
- Transfer Acquisition Reform information.

RELATIONSHIPS

Strengthen the partnership between the acquisition community and the Fleet.

- Communicate key elements of product development to sailors and marines, fostering customer ownership, enhancing operational effectiveness and encouraging customer feedback.
- Bring Fleet users into the design process.
- Partner with CNO and CMC to spread information on the acquisition process into the Fleet.
- Concurrent with developing new products, prepare an 'ownership' video that reaches the product target audience prior to product delivery. Prepare videos on existing systems as soon as practicable.
- Expand the product operating manual to include a section with acquisition information on the product.
- Create a product bulletin (hard and soft format) to accompany product delivery which includes key elements of the product development story.
- Expand and apply the 'helpdesk' concept, inclusive of information on the acquisition process, to as many existing systems as appropriate.
-

Institutionalize IPTs as a cooperative approach to performance improvement and cultural transformation.

- Empower individuals assigned to IPTs to make decisions and commitments for the organization or the functional area they represent.
- Benchmark industry and government IPT applications.
- Research and apply critical success factors to IPT operations.
- Leverage existing IPT training to develop and implement DoN-wide IPT deployment.
- Apply technology and make information available to facilitate IPT effectiveness.
- Develop a program that recognizes and rewards high performance teams.

Partner with industry and other external stakeholders to achieve win/win solutions.

- Develop cooperative strategies with industry to accelerate the reform process.
- Work with local communities affected by base closures and realignments to facilitate transition.
- Continue to conduct DoN/CEO Acquisition Reform Conferences.

PROCESSES

Achieve a radical reduction in the time and cost to develop and deliver complex systems through an integrated design environment for acquisition.

- Extend the application of modeling and simulation technology beyond the assessment and training communities into the scientific, engineering, logistics, and business domains.
- Facilitate continuous cost-performance tradeoffs by modeling processes as well as product characteristics in a virtual environment.
- Accelerate the fielding of automated procurement systems.
- Extend the application of electronic networking as an enabler for improved productivity processes.

Use past performance in the source selection process as an effective measure of performance risk and a factor in selecting high-quality contractors.

- Explore options for assessing past performance, including other service/agency and industry processes.
- Develop and publish DoN policy on the use of past performance in source selection.
- Prototype a risk-based integrated assessment of past performance based on contractor process identification, relevance, and capability.
- Establish a contractor designation program linked to past performance assessments and a system of incentives for contractors to achieve such designation.

Employ more cooperative and effective DoN/Industry approaches in the procurement process.

- Deploy best solicitation practices identified from RFP benchmarking.
- Expand the use of innovative and efficient proposal strategies such as single integrated (technical, management and cost) proposals, oral proposals and electronic proposals.
- Provide candid debriefings to offerors through identification and deployment of best practices.
- Improve commercial item market research techniques by developing models and capability, including logistics support planning.
- Use ‘Other Transaction Authority’ for ONR Technology Reinvestment Programs and work to further expand applicability.

DEPARTMENT OF THE NAVY ACQUISITION REFORM ACQUISITION CENTER OF EXCELLENCE

In a memorandum dated March 19, 1996, Mr. John Douglass, ASN(RDA) stated, "Acquisition Reform is a top priority within the Navy." In support of this goal the Navy has established an Acquisition Center of Excellence (ACE). The ACE is a collaboratory and test bed for advanced systems engineering research designed to combine cutting-edge technology with world-class business practices. The ACE will assist acquisition professionals, their contractor teams, and their customers in solving complex systems engineering and management challenges while mitigating the risk associated with developing solutions. The goal is simple: To enable and deploy research that will reinvent our acquisition culture.

At the heart of ACE is the Collaboratory, a secure, 8,000 sq. ft. space which combines high-powered computing technology with a totally reconfigurable working environment. Located in Building 22, Washington Navy Yard, the Collaboratory offers the capability to share and analyze highly complex engineering and management information -- including the ability to support virtual prototyping of Naval systems from concept and engineering analysis to production and support. Through wide-band connectivity to the Defense Information Network, the ACE facility will enable geographically dispersed acquisition teams to access its capabilities and functionalities remotely. It is here that DoN program teams will create and evolve new processes, learn and practice world-class approaches, translate warfighting needs into weapon system solutions, and then take this new way of doing business back into the program office environment.

The ACE will function as a world-class consortium of innovative organizations working together with the Navy to develop and field new processes and leverage internal research investments throughout the acquisition system. To achieve this continuous learning objective, the ACE will develop a coalition with Peter Senge and the MIT Center for Organizational Learning; host pilots such as the Standard Procurement Systems demonstration; and facilitate workshops on Risk Management, Integrated Product and Process Development, and Earned Value based on real-time programmatic data. The ACE will partner with the Army and Air Force to demonstrate Electronic Source Selection tools and techniques and will partner with organizations such as the National Performance Review to host Electronic town meetings.

The ACE will serve as a catalyst and host for critical coalitions among the Navy, industry, and academia to bring state-of-the-art tools, successes and lessons learned into the facility to share across the Navy acquisition environment. A research coalition with DARPA, ONR, DMSO, DoNMSO, DISA, and Industry will focus on Simulation-Based Acquisition (SBA) initiatives -- including conducting requirements evaluations; engaging in technology base investigations of tools, models, and data bases; and designing information repositories. The ACE will partner with industry and academia to study and

ACE

implement new theories, tools and methods, such as Activity Based Costing, that are transforming the practice of management.

Within the program management community, collaborations are being built to maximize the synergy between ongoing program activities and the value-added technology and expertise offered through ACE. Programs such as LSVII, SC 21, and Joint Strike Fighter are looking to the ACE and its resources to offer new capabilities to solve programmatic issues. ACE will continuously work to ensure widespread movement toward more effective and efficient business practices in individual programs. Results will be communicated to and deployed throughout the entire acquisition community.

Working to modify the policy environment in which all programs operate, ACE will lead creation of a model of our acquisition system sufficiently detailed to exhibit the primary cause and effect behavior of our complex acquisition system. This tool will help Navy program teams better understand the individual parts of the acquisition processes, the complex interactions among these parts, and the financial implications of manipulating the parts. The model will be used to understand the highest leverage change opportunities and deal with core issues such as program stability by developing implementation strategies and testing them within this practice field.

The ACE environment will support critical functions such as the Òtrade space reviewsÓ envisioned in the DoD Integrated Product and Process Development (IPPD) and Cost-as-An-Independent-Variable (CAIV) policy guidance. This guidance will bring the requirements, budget, and acquisition communities closer together to examine the programmatic implications of cost reduction methods and changes sometimes made necessary by unexpected events. ACE will assist program managers in developing models of sufficient fidelity to deal with these issues and host team use of the models in the facility.

This ACE represents the Navy-Marine Corps corporate commitment to revolutionizing its acquisition process to ensure affordable, high performance weapon systems. By researching and deploying advanced technology, best business practices, leading edge facilitation and training, and real-time access to integrated major electronic information systems, the ACE will enable Fleet modernization by reducing total ownership costs and acquisition cycle times associated with systems acquisition.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SECNAV 5000.2B

Background: On December 6, 1996, SECNAVINST 5000.2B was signed and became the single guiding acquisition management instruction for the Department of the Navy. This instruction replaces SECNAVINST 5000.2A, OPNAVINST 5000.42D, SECNAVINST 5231.1C, MCO 5000.11B, and MCO 5000.22, among others. By canceling and consolidating these into a single, streamlined instruction, instruction pages were reduced by almost 60 percent.

Description: Just as the DoD 5000 series contains only mandatory requirements, SECNAVINST 5000.2B contains only mandatory requirements and is designed to be used in close concert with the DoD 5000 series. The DoN instruction provides implementation procedures for ACAT I, II, III, and IV programs--and this includes information technology programs! While the instruction primarily addresses mandatory requirements for ACAT II, III, and IV programs, it also includes certain specific DoN implementation requirements that ACAT ID and IC programs must follow.

Some of the more significant policy changes from the previous instruction are:

- Milestone documentation is replaced by milestone information: the concept here is that, with very few exceptions, the Program Manager has wide latitude regarding the format and content of the information items required. The term "documentation" is replaced by "information" to further reinforce the idea that a multi-page document is not required. A viewgraph slide could just as easily provide the information item.

- Teaming: ACTs are required for ACAT I and II programs, and their use is optional for ACAT III and IV programs. ACTs are designed to link the PPBS, requirements generation and acquisition management systems together to resolve program issues throughout program execution. The expectation is that, through early and constant program involvement and issue resolution, the milestone review process can be streamlined.

- Abbreviated acquisition programs: Programs **not** over the dollar limit that require acquisition planning and that do not require OT&E and that do not affect the combat characteristics of ships or aircraft. Program decision authority is decided by the cognizant PEO/SYSCOM/DRPM.

- ACAT III and IV designation/MDA: this instruction provides a blanket delegation of ACAT designation authority, and it provides a blanket delegation of MDA for these programs to the cognizant PEO/SYSCOM Commander/DRPM/designated IT manager.

- COEA replaced by Analysis of Alternatives: process is not significantly changed.

- Cost as An Independent Variable (CAIV): CAIV will

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be applied to all programs to insure cost is actively traded-off against performance within the APB.

- Information Technology (IT) programs: coverage is included for all IT programs (there are no IT ACAT II or IVM programs) and SECNAVINST 5231.1C is canceled.

Although not different from the previous instruction, the following DoN-unique aspects are not specifically found in the DoD 5000 series:

- ACAT IV: this acquisition category is retained by the DoN. This category, used by DoN since the very early 1980s, includes programs that don't affect the combat characteristics of ships or aircraft but require acquisition plans because of dollar value. ACAT IVT programs require OT&E by COMOPTEVFOR; ACAT IVM programs do not require OT&E by COMOPTEVFOR.

- Non-acquisition programs: an effort not directly resulting in the acquisition of a system for operation deployment. Examples are Advanced Technology Demonstrations (ATD), Advanced Concept Technology Demonstrations (ACTD), Science and Technology (S&T) programs. Control and oversight continues through the NAPDD.